



Glossary and Alternative Performance Measures

Glossary

Balance Sheet

Average net assets

Average of the last 13 monthly observations

Eligible assets in ECB pool

Encumbered financial assets for the purpose of obtaining funding from the European Central Bank

Eligible unencumbered assets

Unencumbered financial assets available for the purpose of obtaining funding from the European Central Bank

Loans-to-deposits ratio *[As defined by Bank of Portugal Instruction 6/2018]*

Ratio between total loans and advances to customers (net of impairment) and customer deposits

Income Statement

Net interest income

Interest and similar income [Income Statement] net of Interest and similar expenses [Income Statement]

Net interest margin

Corresponds to the ratio between the net interest income and the average interest-earning assets

Retail net interest margin

Difference between the average interest rate of interest received from customer loans and the average interest rate of interest paid on customer deposits

Net interest income including income from equity instruments

Sum of two P&L items: "Net interest income" and "Income from equity instruments"

Net fees and commissions

Income from services rendered and commissions [Income Statement] net of costs of services and commissions [Income Statement]

Non-interest income

Sum of three P&L items: "Net fees and commissions", "Net trading income" and "Other operating income"

Total operating income

Sum of two P&L items: "Net interest income including income from equity instruments" and "Non-interest income"

Operating costs

Sum of P&L items: "Employee costs", "Administrative expenses" and "Depreciation and amortisation"

Net operating income before impairments

Total operating income net of operating costs

Net operating income

Net operating income before impairments net of provisions and impairments



Efficiency Indicators

Cost-to-income [As defined by Bank of Portugal Instruction 6/2018]

Efficiency ratio, measured by the relation between operating costs and the sum of total operating income and income of associated companies

Employee costs / Total operating income [As defined by Bank of Portugal Instruction 6/2018]

Efficiency ratio, measured by the relation between employee costs and total operating income

Total operating income / Average net assets [As defined by Bank of Portugal Instruction 6/2018]

Profitability ratio, measured by the relation between the sum of total operating income and results from associates and jointly controlled entities and the average of net assets (average of the last 13 monthly observations)

Gross return on equity (ROE) [As defined by Bank of Portugal Instruction 6/2018]

Profitability ratio, measured by the relation between the sum of net income, tax and non-controlling interests and the average shareholders' equity (average of the last 13 monthly observations)

Gross return on assets (ROA) [As defined by Bank of Portugal Instruction 6/2018]

Profitability ratio, measured by the relation between the sum of net income, tax and non-controlling interests and the average net assets (average of the last 13 monthly observations)

Asset Quality Indicators

Non-performing loans ratio [As defined by EBA]

Asset quality ratio, measured by the relation between loans and advances to customers in default (gross) and total loans and advances to customers (gross)

Coverage ratio on non-performing loans [As defined by EBA]

Ratio between accumulated impairment on loans and advances to customers and loans and advances to customers in default (gross)

Non-performing exposure ratio [As defined by EBA]

Asset quality ratio, measured by the relation between: (Non-performing: debt securities + loans and advances to customers + off balance-sheet exposures) and (Gross: total debt securities + loans and advances to customers + off balance-sheet exposures)

Coverage ratio on non-performing exposure [As defined by EBA]

Ratio between accumulated impairment (on debt securities, loans and advances to customers and off balance-sheet exposures) and total non-performing exposures (gross)

Forborne ratio for loans and advances [As defined by EBA]

Asset quality ratio, measured by the relation between forborne loans and advances under probation and total loans and advances to customers (gross)

Coverage ratio on forborne loans and advances [As defined by EBA]

Ratio between accumulated impairment on forborne loans under probation and total forborne exposures

Credit quality per stages

- Stage 1: Performing credit, without any signs of a significant deterioration of credit risk;
- Stage 2: Performing credit, but in which criteria indicating a significant deterioration of credit risk have been identified. This segment includes operations which have been restructured owing to a customer's financial difficulties but which have not activated default criteria;
- Stage 3: Credit in default;



Solvency and Liquidity Indicators

CET 1 ratio

Solvency ratio, measured by the ratio between total Tier 1 own funds (Common Equity Tier 1) and total risk-weighted assets

Tier 1 ratio

Solvency ratio, measured by the ratio between the sum of total Tier 1 equity (Common Equity Tier 1) with additional Tier 1 equity (Additional Tier 1), and total risk-weighted assets

Total solvency ratio

Solvency ratio, measured by the ratio between total own funds and total risk-weighted assets

Leverage ratio (LR)

Leverage ratio, measured by the ratio between Tier 1 capital and non-risk-weighted exposure

Liquidity coverage ratio (LCR)

Liquidity ratio, measured by the ratio between the net asset buffer and the net outflows in a 30-day stress period

Net stable funding ratio (NSFR)

Liquidity ratio, measured by the ratio of stable funding available to stable funding required

Other Indicators

Contribution on the banking sector

Extraordinary contribution by Portuguese banks to finance the Bank Resolution Fund

Loan-to-value ratio (LTV)

Ratio between the amount of credit granted and the appraised value of the financed property

Off-balance sheet customer resources

Sum of off-balance sheet customer resources

Total customer resources

Sum of balance sheet customer resources and off-balance sheet customer resources

Bancassurance

Bancassurance products relating to capitalisation insurance, unit linked insurance and retirement savings plans

Spread

Addition (in percentage points) to the index used by CGD in asset and liability operations

Regulatory costs

Costs associated with banking activity, resulting from legal and regulatory obligations

Business volume

Sum of total customer resources and loans and advances to customers (gross)



Alternative Performance Measures

Balance Sheet

Measure of financial position

Designation	Definition	Calculation basis	Reconciliation with Financial Statements
Securities investments	On-balance sheet securities portfolio	Financial assets at fair value through profit or loss + Financial assets at fair value through other comprehensive income + Other investments at amortized cost	[Balance Sheet] Financial assets at fair value through profit or loss + [Balance Sheet] Financial assets at fair value through other comprehensive income + [Balance Sheet] Other investments at amortized cost
Loans & advances to customers (net) / Net assets	Ratio between loans and advances to customers (net of impairments) and total assets (net of impairments)	Loans and advances to customers (net of impairments) / Total assets (net of impairments)	[Balance Sheet] Loans and advances to customers (net of impairments) / [Balance Sheet] Total assets (net of impairments)

Income Statement

Measure of financial position

Designation	Definition	Calculation basis	Reconciliation with Financial Statements
Recurrent employee costs	Employee costs deducted from non-current factors	Employee costs - Non-current factors of employee costs	[Inc. Statem.] Employee costs - [Inc. Statem.] Non-current factors of employee costs
Total core operating income	Sum of two P&L items: "Net interest income" and "Net fees and commissions"	Net interest income + Net fees and commissions	[Inc. Statem.] Net interest income + [Inc. Statem.] Net fees and commissions
Net core operating Income before impairments	Total core operating income deducted from operating costs	Net interest income + Net fees and commissions - Operating costs	[Inc. Statem.] Net interest income + [Inc. Statem.] Net fees and commissions - [Inc. Statem.] Operating costs
Recurrent net income	Net income deducted from non-current factors	Net income for the period - Non-current factors in Income Statement items	[Inc. Statem.] Net income for the period - [Inc. Statem.] Non-current factors in Income Statement items



Efficiency Indicators

Measure of financial position

Designation	Definition	Calculation basis	Reconciliation with Financial Statements
Cost-to-core income	Efficiency ratio, measured by the relation between operating costs and total core operating income	Operating costs / (Net interest income + Net fees and commissions)	[Inc. Statement.] Operating costs / ([Inc. Statement.] Net interest income + [Inc. Statement.] Net fees and commissions)
Recurrent cost-to-income	Efficiency ratio, measured by the relation between operating costs [excluding non recurrent items] and the sum of total operating income [excluding non recurrent items] and income of associated companies	Operating costs [excluding non recurrent items] / (Total operating income [excluding non recurrent items] + Income of associated companies)	[Inc. Statement.] Operating costs [excluding non recurrent items] / ([Inc. Statement.] Total operating income [excluding non recurrent items] + [Inc. Statement.] Income of associated companies)
Recurrent employee costs / Total core operating income	Efficiency ratio, measured by the relation between employee costs [excluding non recurrent items] and the core operating income	Operating costs [excluding non recurrent items] / Total core operating income	[Inc. Statement.] Operating costs / [Inc. Statement.] Total core operating income
Administrative expenses / Total operating income	Efficiency ratio, measured by the relation between Administrative expenses and Total operating income	General administrative expenses / Total operating income	[Inc. Statement.] General administrative expenses / [Inc. Statement.] Total operating income
Operating costs / Average net assets	Ratio between operating costs and the average of total assets (net of impairments) (average of the last 13 monthly observations)	Operating costs / Average net assets [average of the last 13 monthly observations]	[Inc. Statement.] Operating costs / [Balance Sheet] Average net assets [last 13 monthly observations] * Annualisation
Net return on equity (ROE)	Profitability ratio, measured by the relation between the sum of net income and non-controlling interests and the average shareholders' equity (average of the last 13 monthly observations)	(Net income + Non-controlling interests) / Average shareholders' equity [average of the last 13 monthly observations]	([Inc. Statement.] Net income + [Inc. Statement.] Non-controlling interests) / [Balance Sheet] Average equity [last 13 monthly observations] * Annualisation
Net return on assets (ROA)	Profitability ratio, measured by the relation between the sum of net income and non-controlling interests and the average net assets (average of the last 13 monthly observations)	(Net income + Non-controlling interests) / Average net assets [average of the last 13 monthly observations]	([Inc. Statement.] Net income + [Inc. Statement.] Non-controlling interests) / [Balance Sheet] Average net assets [last 13 monthly observations] * Annualisation



Asset Quality Indicators

Measure of financial position

Designation	Definition	Calculation basis	Reconciliation with Financial Statements
Cost of credit risk	Asset quality ratio, measured by the relation between loans impairment (net of reversals and recoveries) in the period and the average gross loans and advances to customers	Annualised credit impairment for the period (net) / Average loans and advances to customers balance (gross) [average of the last 13 monthly observations]	[Inc. Statement.] Credit impairment for the period (net) / [Balance Sheet] Average loans and advances to customers balance (gross) [average of the last 13 monthly observations] * Annualisation
Texas ratio	Asset quality ratio, measured by the relation between NPE (non-performing exposures) and the sum between tangible equity and the impairment of non-performing exposures	Non-performing exposures / (Equity - Intangible assets + Impairment of non-performing exposures)	Not applicable
RWA density	Solvency ratio, measured by the ratio between total risk-weighted assets and total net assets	Risk weighted assets / Net assets	Not applicable